

PUBLIC DISCLOSURE

June 28, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTH EASTON SAVINGS BANK

**295 MAIN STREET
NORTH EASTON, MASSACHUSETTS 02356**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **NORTH EASTON SAVINGS BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **June 28, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"

The Bank's overall CRA performance reflects management's commitment to meeting the credit needs of the assessment area. The Satisfactory rating was based on three performance criteria: the Lending Test, the Investment Test, and the Service Test.

Lending Test

Taking into account the number and amount of Home Mortgage Disclosure Act ("HMDA")-reportable and small business loans granted within its assessment area, the Bank has demonstrated an adequate responsiveness to the credit needs of its assessment area. Lending inside the Bank's assessment area represents 66.1 percent of its HMDA-reportable loans, and 73.8 percent of its small business loans. The Bank's lending demonstrates a good distribution of loans among individuals of different income levels and small businesses. The institution has granted a marginally satisfactory level of community development loans during this review period. In addition, the Bank's fair lending performance was determined to be reasonable at this time. Therefore, the institution's lending performance receives an overall rating of Satisfactory.

Investment Test

The Bank has a marginally adequate level of qualified community development investments and grants, and has exhibited a reasonable responsiveness to credit and community economic development needs. Therefore, the Bank's investment performance is at a Satisfactory level.

INSTITUTION'S CRA RATING (continued)

Service Test

The Bank's services are determined to be High Satisfactory. The Bank's delivery systems are readily accessible to all portions of the assessment area. The Bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low- and moderate-income individuals. Bank personnel meet with several local community organizations to discuss the credit needs of the community.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of North Easton Savings Bank, North Easton, MA, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS North Easton Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Satisfactory	X	X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

PERFORMANCE CONTEXT

Description of Institution

The Bank is a state-chartered mutually owned bank established in 1864. The Bank's main office is headquartered in North Easton, Massachusetts. The Bank operates seven other full-service branch offices in Massachusetts, of which four are in Easton, two are in Norton, and one is in Mansfield. All but one office has drive-up windows. All of the offices but one have automatic teller machines (ATMs). In addition, the Bank has an operations center in North Easton, a quarter of a mile from the main office.

According to the March 31, 2004 Federal Financial Institution Examination Council ("FFIEC") Call Report, the Bank had \$395,369,000 in assets; of which gross loans represented \$217,664,000, or 55.1 percent, of total assets. Approximately, 96.1 percent of the Bank's loan portfolio is in real estate loans, with 70.3 percent of those loans secured by one to four family residential properties. Refer to the following table for details of the Bank's loan portfolio by type.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	\$153,120	70.3
Equity Lines of Credit	\$28,346	13.0
Commercial Real Estate	\$11,527	5.3
Multifamily Loans	\$2,836	1.3
Construction and Land Development	\$13,534	6.2
Total Real Estate Loans	\$209,363	96.1
Commercial Loans	\$2,541	1.2
Consumer and All Other Loans	\$5,760	2.7
Total Gross Loans	217,664	100.0

Source: March 31, 2004 Consolidated Report of Condition.

The Bank sells all of its 30-year fixed rate residential mortgage loans in the secondary market. During 2002, the Bank sold 23 loans, totaling \$3,376,500. During 2003, the Bank sold 52 loans, totaling \$7,713,980.

The Bank faces tremendous competition within its assessment area. This competition consists of several local institutions, including Sovereign Bank, Harbor One Credit Union, The Community Bank, Mansfield Co-operative Bank, and a significant branch network of national banks; and a number of regional and national mortgage companies.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2002 aggregate performance data (the most recent data available) indicates that among the 383 lenders in the assessment area, the Bank was ranked number 23, with 1.1 percent of the market share in total loans originated or purchased within its assessment area. Countrywide Home Loans was number one in market share, with 7.4 percent.

PERFORMANCE CONTEXT (continued)

Description of Institution

There are no financial or legal impediments that would limit the Bank's ability to meet the credit needs of the assessment area. The Federal Deposit Insurance Corporation ("FDIC") last examined the Bank for compliance with CRA on January 8, 2002, which was the Bank's first examination as a large bank. That examination resulted in a CRA rating of Satisfactory. The Division last examined the Bank concurrently with the FDIC on October 19, 1999. That examination resulted in a CRA rating of Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas ("MSA"s) for statistical reporting purposes by federal agencies. The Bank's assessment area contains 5 cities and towns located in the Boston MA-NH and Brockton MSAs.

The Bank's assessment area consists of the following cities and towns:

- Boston MSA: the City of Taunton and the Towns of Mansfield and Norton located In Bristol County.
- Brockton MSA: the City of Brockton, located in Plymouth County, and the Town of Easton, located in Bristol County.

Assessment Area 2002

The assessment area is comprised of 39 census tracts, of which 2 (5.1 percent) are designated as low-income; 12 (30.7 percent) as moderate-income; 22 (56.4 percent) as middle-income; 2 (5.1 percent) as upper-income, and 1 (2.6 percent) with no income designation. Brockton contains the most census tracts, including the 2 low-income census tracts and 7 of the moderate-income census tracts. The remaining five moderate-income census tracts are located in Taunton. The census tract with no income designation is #6134.00 (Golf Course & State Hospital) in Taunton.

Demographic data obtained from CRA WIZ, based on 1990 census data, indicates that the Bank's assessment area contains a total population of 193,260 individuals. There are 73,574 housing units within the assessment area of which 55.7 percent are owner-occupied, and 6.6 percent are vacant housing units. In addition, 10.6 percent of the households in the assessment area are below the poverty level.

Assessment Area 2002 (continued)

The following table provides demographic and economic information pertaining to the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	5.1	27.0	4.1	1.3	7.4	9.7	\$117,450
Moderate	30.7	17.0	29.7	18.5	44.8	38.3	\$127,866
Middle	56.5	21.8	61.7	73.5	46.3	49.9	\$144,111
Upper	5.1	34.2	4.5	6.7	1.5	2.1	\$184,529
N/A	2.6	0.0	0.0	0.0	0.0	0.0	
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	\$143,489

Source: 1990 U.S. Census

Assessment Area 2003

The assessment area is comprised of 39 census tracts, of which 1 (2.6 percent) is designated as low-income; 17 (43.6 percent) as moderate-income; 18 (46.2 percent) as middle-income; and 3 (7.6 percent) as upper-income. Brockton contains the most census tracts, including the 1 low-income census tract, and 11 of the moderate-income census tracts. The remaining six moderate-income census tracts are located in Taunton.

Demographic data obtained from CRA WIZ, based on 2000 census data, indicates that the Bank's assessment area contains a total population of 213,029 individuals. There are 79,457 housing units within the assessment area of which 61.0 percent are owner-occupied, and 3.1 percent are vacant housing units. In addition, 10.8 percent of the households in the assessment area are below the poverty level.

The following table provides demographic and economic information pertaining to the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Low	2.6	27.6	1.4	0.1	3.6	4.0	\$151,000
Moderate	43.6	17.9	42.0	29.0	62.7	57.5	\$129,172
Middle	46.2	20.4	47.4	58.0	30.5	33.2	\$157,263
Upper	7.6	34.1	9.2	12.9	3.2	5.3	\$223,565
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	\$165,250

Source: 2000 U.S. Census

Assessment Area 2003 (continued)

Information from Banker and Tradesman, as of July 5, 2004, indicated that the average sales price for single family homes within the Bank's assessment area ranged from a low of \$241,200 in Brockton, to a high of \$375,000 in Easton.

Change in Demographics

In 2003, the U.S. Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of The Bank's assessment area by census tract income groupings. This information is being included as a precursor for future examinations, as well as for the Bank's future reference. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Low	2	5.1	1	2.6	-50.0
Moderate	12	30.7	17	43.6	41.6
Middle	22	56.5	18	46.2	-18.2
Upper	2	5.1	3	7.6	50.0
NA	1	2.6	0	0.0	-100.0
Total	39	100.0	39	100.0	0.0

Source: PCI Services, Inc., CRA Wiz Software.

The census tract with no income designation that was eliminated from the 2000 census data was a hospital in Taunton.

Two community contacts were used as part of this examination and provided relevant information on the assessment area. The contacts were conducted in Brockton and included an organization whose primary goals are to attract new businesses and grow existing businesses in Brockton. The second contact was conducted with an organization whose mission is to provide education, health, civic, social, and human services to Cape Verdean residents in the Greater Brockton area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its HMDA-reportable, small business, and community development loans. HMDA-reportable and small business loans originated during 2002 and 2003 were included in the Bank's performance.

The data used to evaluate the Bank's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act/ Loan Application Register) and the Bank's Small Business Loan Register ("SBLR").

I. Lending Activity

The Bank had total assets of \$395 million as of March 31, 2004. Net loans totaled \$217 million, or 54.9 percent, of total assets. Loans secured by one-to-four family residential properties represent the largest portion of the Bank's loan portfolio, followed by home equity loans and commercial real estate loans.

The Bank's net loans and leases to assets ratio was 54.8 percent as of the March 31, 2004 Uniform Bank Performance Report ("UBPR"). The peer group's net loans and leases to assets ratio for the same period was 60.6 percent, placing the Bank in the 32nd percentile. The Bank's ratio is lower than peers; however, it should be noted that the UBPR determines a peer ratio based on banks with assets of \$300 million to \$1 billion located nationwide without regard to regional or state differences.

HMDA-Reportable Loans

For the period reviewed, the Bank originated and purchased 827 HMDA-reportable loans, totaling \$153 million. Of these loans, 547, representing 66.1 percent of the total loans, were originated in the assessment area. By dollar amount, these loans totaled \$93 million, or 60.8 percent. It should be noted that of the loans originated within the assessment area, 436 (79.7 percent) were for refinances and 85 (15.5 percent) were originated for conventional home purchases.

Lending Activity (continued)

HMDA-Reportable Loans

Easton accounted for the largest percentage of originations by number with 33.9 percent, followed by Norton, with 15.4 percent. Easton accounted for the largest dollar volume of originations with 34.1 percent, followed by Norton, with 13.1 percent. Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of HMDA Reportable Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	221	67.2	34,688	63.2	108	32.8	20,202	36.8
2003	326	65.5	58,160	59.5	172	34.5	39,582	40.5
Total	547	66.1	92,848	60.8	280	33.9	59,784	39.2

Source: HMDA /LAR, CRA Wiz

Small Business Lending

The Bank's SBLRs for 2002 and 2003 were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The Bank originated 229 small business loans, totaling \$8.7 million, during this period. A total of 169 loans, totaling \$6.4 million, were originated to businesses within the Bank's assessment area, representing 73.8 percent by number, and 73.5 percent by dollar amount.

Refer to the following table for the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	89	75.4	3,940	76.6	29	24.6	1,202	23.4
2003	80	72.1	2,483	68.9	31	27.9	1,119	31.1
Total	169	73.8	6,423	73.5	60	26.2	2,321	26.5

Source: CRA Data Collection

Lending Activity (continued)

Small Business Lending

Overall, the Bank's level of HMDA-reportable and small business lending reflects an adequate responsiveness to the credit needs of the assessment area based on the size of the Bank, its financial condition, and the highly competitive market in which it operates.

II. Geographic Distribution by Census Tract Income Level

HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level.

2002 HMDA-Reportable Loans

The table below shows the number of HMDA-reportable loans in comparison to the number of owner-occupied housing units in each census tract for calendar year 2002 based on the 1990 census data. In addition, the Bank's HMDA reportable loans were compared to that of all other HMDA-reporters in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2002. Refer to the following table for details.

Distribution of HMDA Loans by Income Category of the Census Tract				
Census Tract Income Level	% Total Owner-Occupied Housing Units per 1990 Census Data	Aggregate Lending Data (% of #) 2002	North Easton Savings Bank 2002	
			#	%
Low	1.3	1.6	0	0.0
Moderate	18.5	18.1	7	3.2
Middle	73.5	73.0	164	74.2
Upper	6.7	7.2	49	22.2
N/A	0.0	0.1	1	0.4
Total	100.0	100.0	221	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

As shown in the above table, there were no loans originated or purchased within the Bank's two low-income census tracts. The low-income tracts contain only 1.3 percent of the total owner-occupied housing units, and within those two tracts there are only 5.6 percent and 29.9 percent of owner-occupied housing units, respectively, and the high cost of homes in this area is also a factor. In addition, the 3.2 percent of the loans originated or purchased within the moderate-income census tracts are much lower than the 18.5 percent of owner-occupied housing units in the assessment area.

Geographic Distribution by Census Tract Income Level (continued)

2002 HMDA-Reportable Loans

Of the 12 moderate-income census tracts within the Bank's assessment area, the Bank originated or purchased loans in only 6 of those tracts. It should be noted that all the low- and moderate-income census tracts are located in a city and town where the Bank has no branch presence and the Bank does not employ outside loan originators. In addition, the above data also shows that the number of loans in middle-income census tracts mirrors the percentage of owner-occupied housing units in these areas and loans in the upper-income tracts is much higher than the percentage of owner-occupied housing units.

As demonstrated above, the percentage of the Bank's lending activity in low-income census tracts for 2002 is below that of the aggregate. However, the aggregate only had 1.6 percent, and lending in these two tracts is extremely difficult given the small amount of owner-occupied housing units within these tracts. The percentage of the Bank's lending activity in moderate-income census tracts was considerably lower than that of the aggregate. In addition, the above table also demonstrates that the Bank's performance in middle-income and upper-income census tracts was above that of the aggregate. However, this criterion mainly focuses on the Bank's lending in low- and moderate-income census tracts.

2003 HMDA-Reportable Loans

The following table shows the number of HMDA reportable loans in comparison to the number of owner-occupied housing units in each census tract for the calendar year 2003 based on the 2000 census data.

Distribution of HMDA Loans by Income Category of the Census Tract			
Census Tract Income Level	% Total Owner-Occupied Housing Units per 2000 Census Data	Year-to-date 2003	
		#	%
Low	0.1	0	0.0
Moderate	29.0	27	8.3
Middle	58.0	153	46.9
Upper	12.9	146	44.8
Total	100.0	326	100.0

Source: 2000 U.S. Census, HMDA/LAR

Geographic Distribution by Census Tract Income Level (continued)

2003 HMDA-Reportable Loans

As shown in the above table, there were no loans originated or purchased in the Bank's one low-income census tract. The 8.3 percent of total loans originated or purchased within moderate-income census tracts is much lower than the assessment area's owner-occupancy rate of 29.0 percent. The low-income tract, located in Brockton, has a 3.5 percent owner-occupancy rate, making it very difficult to lend within that tract. In addition, there is significant competition in this tract, the Bank has no branch presence there and there are no outside loan originators. Lending in the middle-income census tracts was lower than the owner-occupancy rate while lending in the upper-income census tracts was much higher.

Small Business Lending

The Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area. The Bank granted a reasonable level of small business loans throughout its assessment area.

The following table depicts this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2002		2003		Total	
	#	%	#	%	#	%
Low	1	1.1	0	0.0	1	0.6
Moderate	0	0.0	2	2.5	2	1.2
Middle	70	78.7	61	76.3	131	77.5
Upper	18	20.2	17	21.2	35	20.7
Total	89	100.0	80	100.0	169	100.0

Source: CRA data collection

Based on the above information, the Bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects an adequate dispersion of loans throughout the assessment area.

III. Borrower Characteristics

HMDA-Reportable Lending

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston MA-NH and Brockton MSAs, depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development ("HUD") information. The incomes for the Boston MA-NH MSA for 2002 and 2003 are \$74,200 and \$80,800, respectively. The median family incomes of the Brockton MSA are \$63,500 and \$70,300, respectively.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

2002 HMDA-Reportable Loans

The following table shows the number of HMDA-reportable loans granted to low-, moderate-, middle- and upper-income borrowers, in comparison to the number of households in the assessment area in each respective income group based on 1990 census data. In addition, the distribution of the Bank's loans among various borrower income levels was compared to that of all other HMDA-reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2002. Refer to the following table for details.

Distribution of HMDA loans by Borrower Income				
Median Family Income Level	% Total Households Per 1990 Census Data	Aggregate Lending Data (% of #)	North Easton Savings Bank 2002	
		2002	#	%
Low	27.0	5.5	19	8.6
Moderate	17.0	21.7	37	16.7
Middle	21.8	29.6	64	29.0
Upper	34.2	28.8	96	43.4
N/A		14.4	5	2.3
Total	100.0	100.0	221	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

During 2002, the Bank extended 19 loans to low-income borrowers, representing 8.6 percent of the total loans originated or purchased within the assessment area. This is well below the 27.0 percent of low-income households within the assessment area. However, the Bank's performance exceeded the aggregate which was at 5.5 percent.

Borrower Characteristics (continued)

2002 HMDA-Reportable Loans

The Bank granted 37 loans to moderate-income borrowers, representing 16.7 percent of the total loans within the assessment area. This percentage is slightly lower than the 17.0 percent of moderate-income households within the assessment area, and is below the aggregate, which was at 21.7 percent.

2003 HMDA-Reportable Loans

The following table shows the number of HMDA-reportable loans in comparison to the number of households in each census tract for the period January 1, 2003 to December 31, 2003 based on 2000 census data.

Distribution of HMDA loans by Borrower Income			
Median Family Income Level	% Total Households per 2000 Census Data	2003	
Low	27.6	31	9.5
Moderate	17.9	63	19.3
Middle	20.4	101	31.0
Upper	34.1	119	36.5
N/A		12	3.7
Total	100.0	326	100.0

Source: 2000 U.S. Census, HMDA LAR

In 2003, the Bank extended 31 loans to low-income borrowers, representing 9.5 percent of the total loans originated within the assessment area. This is well below the 27.6 percent of low-income households within the assessment area. However, this can be attributed to the fact that approximately 10.8 percent of these households are living below the poverty level as well as the high cost of homes in this area making it difficult for a low-income individual to qualify for a mortgage.

The Bank originated or purchased 63 loans to moderate-income borrowers, representing 19.3 percent of the total loans within the assessment area. This percentage is slightly above the 17.9 percent of moderate-income households within the assessment area.

Borrower Characteristics (continued)

Small Business Lending

Small business loans originated within the Bank's assessment area were also analyzed to determine the typical loan amount at origination. Of the 169 small business loans originated in the Bank's assessment area, 153 had original loan amounts of \$100,000 or less. Refer to the table below.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2002		2003		Total	
	#	%	#	%	#	%
\$100 or Less	80	89.9	73	91.3	153	90.5
> \$100 - \$250	5	5.6	6	7.5	11	6.5
> \$250 - \$1,000	4	4.5	1	1.2	5	3.0
Total	89	100.0	80	100.0	169	100.0

Source: CRA Data Collection

Small business loans originated within the Bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The vast majority of small business loans originated (90.5%) were granted to small businesses with annual revenues of \$1 million or less, which shows that the Bank is meeting the credit needs of the small and medium sized businesses within its assessment area.

The following table depicts the distribution of small business loans within the Bank's assessment area by revenues of the business.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2002		2003		Total	
	#	%	#	%	#	%
<= \$1,000	44	49.4	46	57.5	90	53.3
> \$1,000	7	7.9	11	13.8	18	10.7
N/A	38	42.7	23	28.7	61	36.0
Total	89	100.0	80	100	169	100.0

Source: CRA Data Collection

Based on the above information and the competitive environment in which the Bank operates, lending to borrowers of different income levels and businesses of various sizes reflects a good performance.

IV. Community Development Lending

The Bank has granted a less than adequate level of qualified community development loans.

Community development includes providing affordable housing for low- and moderate-income individuals, promoting activities for economic development by financing small businesses, and lending that revitalizes or stabilizes low- or moderate-income geographies.

A community development loan is a loan that:

- Has as its primary purpose community development
- Has not been reported or collected by the Bank or an affiliate for consideration in the Bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and
- Benefits the Bank's assessment area or a broader statewide or regional area that includes the assessment area.

Described below is the Bank's community development lending activity.

On March 9, 2004, the Bank in participation with eight other area financial institutions provided a \$360,000 loan to the Boys and Girls Club of Brockton for renovations to their building. Each institution provided \$40,000.

During 2002, 2003 and year-to-date June 28, 2004, the Bank originated 10 multifamily loans, totaling \$4,371,000. Of the 10 loans granted during this period, 7 loans totaling \$2,983,000 were made within the Bank's assessment area. Of these 7 loans, 3 loans, totaling \$888,000 were made in moderate-income tracts.

On May 27, 2004, the Bank made a commitment to lend \$1,000,000 to local developers to build twenty-six two-bedroom condominiums in a moderate-income tract in Brockton. The developers plan to build affordable units in the \$199,000 price range.

On February 26, 2004, the Bank originated one HMDA-reportable loan to South Shore Housing Development Corporation for the purchase of a condominium to be used as a group home for mentally delayed occupants.

V. Innovative or Flexible Lending Practices

The Bank participates in and offers a variety of loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses.

Details of these programs are as follows.

First Time Homebuyers Mortgage Loan Program

This in-house loan program is designed for the first time homebuyer purchasing a one to four-family primary residence. The program grants eligible buyers a lower interest rate in order to assist with managing the expense of homeownership in a high cost area.

The Bank originated 19 loans, totaling \$3,749,880, under this program in 2002, and 14 loans, totaling \$3,214,772, in 2003.

Low and Moderate-Income Mortgage Loan Program

Under this program, eligible applicants receive reduced rates, no points and no closing costs for purchase money mortgages. The Bank originated 3 loans, totaling \$337,000, during 2002, and 17 loans, totaling \$2,462,013, as of year-to-date June 30, 2003.

Municipal Loan Program

During 2003, the Bank in partnership with Mass Housing introduced the Municipal Mortgage Program. Under this program, the Bank offers 100% financing to qualified borrowers who are full-time municipal employees and wish to purchase a single family home or condominium in the city/town where they work. Terms include lower interest rates, lower attorney's fees, first time homebuyer credit of \$500 and flexible underwriting ratios. During 2003, the Bank originated one loan for \$250,000.

Commercial Lines of Credit

Focused on the small business owner, these unsecured lines of credit are granted from \$10,000 to \$50,000. During 2002, the Bank granted 16 loans, totaling \$435,000, and three loans, totaling \$140,000, during 2003.

VI. Fair Lending Policies and Practices

The Bank's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

Bank management ascertains the credit needs of the assessment area through their involvement in numerous area organizations and programs. The Bank markets its services and products to the community through a variety of media including print, television, and radio. Numerous educational seminars are also conducted throughout the assessment area in order to make potential customers aware of the services the Bank provides.

The Bank has a formal second review process that requires two officers to review all denied applications before a decline notice is sent to the applicant.

A review of the Bank's HMDA/LAR data is conducted at least annually.

In addition, the examiners conducted a compliance review with fair lending laws and regulations and no discriminatory patterns or practices were noted.

MINORITY APPLICATION FLOW

The Bank received (for 2002 and 2003 combined) a total of 28 mortgage applications from various minority groups, representing 4.6 percent of all residential loan applications received. Of these, 25 (89.3 percent) were originated. The HMDA aggregate lenders in 2002 received 14.3 percent of all the residential applications from various minority groups and of those, 66.2 percent were originated. In 2002, the Bank's minority applicants represented 4.9 percent of all applicants. The table following provides further details.

MINORITY APPLICATION FLOW								
Racial Designation	Aggregate Data 2002		North Easton Savings 2002		North Easton Savings 2003		North Easton Savings Totals	
	#	%	#	%	#	%	#	%
Native American	99	0.3	1	0.4	0	0.0	1	0.2
Asian	319	1.1	1	0.4	4	1.1	5	0.8
Black	2,092	7.2	3	1.2	4	1.1	7	1.2
Hispanic	688	2.4	2	0.8	1	0.3	3	0.5
Joint	280	1.0	3	1.2	5	1.4	8	1.3
Other	655	2.3	2	0.8	2	0.5	4	0.6
Total Minority	4,133	14.3	12	4.9	16	4.4	28	4.6
White	14,905	51.7	229	93.9	339	94.2	568	94.1
N/A	9,819	34.0	3	1.2	5	1.4	8	1.3
Total	28,857	100.0	244	100.0	360	100.0	604	100.0

MINORITY APPLICATION FLOW (continued)

In addition, the Bank's minority application flow is compared to the racial composition of the assessment area. The table details the assessment area's racial composition for the 1990 and 2000 U.S. Census.

Change in Assessment Area Racial Demographics					
Race	1990 Census Data		2000 Census Data		% Change in Number of Persons
	#	%	#	%	
Native American	348	0.1	414	0.2	19.0
Asian	2,346	1.2	3,334	1.6	42.1
Black	12,864	6.7	18,317	8.6	42.3
Hispanic	7,516	3.9	10,625	5.0	41.3
Other	3,203	1.7	17,409	8.1	443.5
White	166,983	86.4	162,930	76.5	-2.4
Total Persons	193,260	100.0	213,029	100.0	10.2
Total Minority	26,277	13.6	50,099	23.5	90.7

The assessment area's total population increased by 10.2 percent while the total minority population increased by 90.7 percent. The Native American, Hispanic, Asian and Black communities increased by 19.0, 41.3, 42.1 and 42.3 percent, respectively. However, the racial group called "other" experienced the largest increase of any minority category with a 443.5 percent growth. Given the racial composition and the HMDA aggregate application data, the Bank's level of attracting minority applicants is considered to be less than reasonable. It should be noted that the vast majority of the minority population is located in a city and town where the Bank has no presence.

In addition, a review was conducted for compliance with fair lending laws and regulations and no violations of the substantive provisions of anti-discriminatory laws and regulations were identified.

VII. Loss of Affordable Housing

The Bank offers innovative and flexible credit products that are designed to make home ownership possible and assist existing low- and moderate-income residents to remain in their neighborhoods.

CONCLUSION (Lending Test)

Taking into account the number and amount of home mortgage and small business loans originated in its assessment area, the Bank has demonstrated a reasonable responsiveness to the assessment area's credit needs. The Bank's lending demonstrates a good distribution of loans among individuals of different income levels and businesses of different sizes. Based upon the opportunities available within the assessment area, the Bank has made a minimal amount of community development loans. In addition, the Bank's fair lending performance was found to be reasonable at this time. Based upon these findings, the Bank's lending performance receives an overall rating of "Satisfactory."

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low- and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments, not just those made since the previous CRA examination.

The Bank's qualified investments indicate a limited responsiveness to its assessment area's credit and economic development needs. A review of the Bank's investment portfolio revealed no innovative qualified investment vehicles. The Bank's investment portfolio totals \$141 million and comprises 36 percent of total assets; the investments consist primarily of Government Agency securities and other marketable securities, none of which are considered qualified community development investments. However, in response to the credit needs within its assessment area, the Bank supports various organizations through charitable contributions.

CHARITABLE CONTRIBUTIONS

Although not particularly innovative or complex, the level of contributions made to low- and moderate-income individuals or organizations that serve low- and moderate-income individuals reflects a marginally satisfactory level of responsiveness to credit and community economic development needs.

CHARITABLE CONTRIBUTIONS (continued)

The Bank has provided contributions and scholarships to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. During calendar years 2002 and 2003, the Bank provided \$168,634 in charitable contributions, of which \$92,490, or 54.8 percent, were in support for the development of facilities which promote community development or to low- and moderate-income individuals, as defined under the CRA regulation. The following is a sample of Community Development Organizations that received grants.

- **Hockomock Area YMCA:** The Bank contributed to the Capital Campaign. The monies from the Bank support programs targeted to area youth and teens in need of financial assistance. In addition, the Bank contributed to the Reach Out For Youth Campaign, which provides confidential scholarship assistance to those who would otherwise be unable to afford to participate in YMCA programs and activities.
- **Brockton Area Multi-Services, Inc. (BAMSI):** This group supports a variety of programs that help low and moderate-income individuals in the Brockton area that are in need.
- **Brockton Family Life Center, Inc.:** This organization provides furniture/furnishings for needy families in the Brockton area.
- **Stoughton-Brockton Food Pantry:** These groups provide food for needy individuals in Stoughton and Brockton.
- **Consumer Credit Counseling of Massachusetts:** This nonprofit organization provides financial counseling and educational programs for families and individuals residing in Barnstable and southern Plymouth Counties. The Bank's contributions have helped fund the costs associated with the credit education seminars.
- **Pro-Home Inc.:** Funds are used by Pro-Home to educate first-time homebuyers and to renovate abandoned homes for affordable housing in the Taunton area.

Conclusion - Investment Test

As depicted above, the Bank has demonstrated a marginally adequate responsiveness to the assessment area's credit and community economic development needs. Therefore, the Bank's overall investment performance is rated "Satisfactory."

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

Retail Banking Services

The Bank's main office is located at 295 Main Street, in a middle-income census tract, in North Easton. In addition, the Bank maintains seven full-service branch offices, four in Easton, two in Norton, and one in Mansfield and an operations center in North Easton. All of the Bank's offices are located in middle-income census tracts. One of the full service branches in Easton is located in a supermarket. Hours of operation at all full service locations appear to serve the Bank's customers. The branch located within the supermarket has extended hours Monday through Saturday and is open from 10am to 2pm on Sundays.

The Bank maintains a Branch Closing Policy, which outlines the Bank's procedures for closing branches. The policy meets regulatory requirements concerning branch closing notification. Since the last examination, the Bank opened one branch located in a local supermarket on October 6, 2003.

The Bank is a participant in the Massachusetts Community and Banking Council's ("MCBC") Basic Banking Program. The program's purpose is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes. The Bank participates by offering the following low cost checking and savings accounts:

- **No-Fee Checking Account (Basic Banking checking account):** the account has no minimum balance requirement and no fees or charges.
- **Regular Savings Account (Basic Banking savings account):** the account has no minimum balance requirement and no fees or charges.

The Bank also maintains Massachusetts Interest on Lawyers' Trust Accounts (IOLTA). Attorneys and law firms maintain these accounts for the short term holding of clients' funds. Interest earned on these accounts is remitted to the IOLTA committee, which distributes funds to local charities to provide low or no cost legal services to low-income individuals. This program benefits over 100,000 low-income individuals a year in the areas of consumer, family, education, disability, and elder services.

Alternative Delivery Systems

Each office, except the supermarket branch, has a drive-up window and each office, except 669 Washington Street, Easton, has ATMs for customer convenience. ATMs that are linked to the CIRRUS and NYCE networks are also available 24 hours a day. The Bank is also a member of the SUM network, which is surcharge-free alliance of several financial institutions that include over 1,000 ATMs throughout Massachusetts. The Bank's customers can avoid ATM surcharges by conducting business at alliance members' ATMs that bear the SUM logo.

The Bank offers alternative delivery systems, including "ACCESS LINE" 24-hour telephone banking and "Access On-Line" a fully interactive Internet access. Customers can make deposits, transfer funds between accounts, and pay third party bills through these delivery vehicles.

Community Development Services

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. The Bank's qualified community development services demonstrate a good level of community development service with many of the Bank's officers providing their technical expertise, experience and judgment to these organizations.

The following is a sample of the organizations that the Bank is associated with:

The Brockton Housing Partnership (BHP): is a consortium of 11 financial institutions participating in the residential mortgage market in the City of Brockton. BHP was created to address the housing needs of residents of the City of Brockton, many of whom are of low- and moderate-income. The BHP works closely with the Brockton Community Corporation (a non-profit Community Development Corporation), the city, the Brockton Redevelopment Authority (BRA), the Brockton Housing Authority (BHA), numerous state and federal agencies and several non profits, all collaborating to promote the expansion of affordable housing in the City of Brockton. The Bank's Senior Lender is the Vice-Chairman of the organization, the Chair of its Workforce Housing Subcommittee, and a member of the Loan Committee.

Habitat for Humanity: is an organization dedicated to building housing for low- and moderate-income families. The Bank's Branch Coordinator has counseled a participating family about home ownership, budgeting, and finances.

Southeastern Massachusetts Credit Grantors: provides education for lenders, including issues concerning low and moderate-income individuals. The Bank's Branch Coordinator serves as the Treasurer of this organization.

Community Development Services (continued)

Norton Local Housing Partnership: is a non-profit organization committed to the development of low-income housing throughout the town of Norton. The Bank's Executive Vice-President is a Director of this organization.

Old Colony YWCA: this organization operates in a moderate-income geography within the City of Brockton and provides significant outreach and support programs for low- and moderate-income individuals. The Bank's President and Chief Executive Officer is the Treasurer and Director of the YMCA.

Credit For Life Fair: created by the Consumer Credit Counseling Services of Southern New England, is a program designed to educate high school students in the basics of personal finance. Various local, state, and federal groups, organizations and financial institutions sponsor the fair, held annually in April. The students learn the basics of housing, employment, transportation, insurance and credit that they will need to apply in the future. Professionals from many local businesses and agencies are on hand to provide advice. The Bank's Vice President and Senior Loan Officer as well as another Vice President, the Comptroller, and Assistant Treasurer are all volunteers at the fair.

Mansfield Housing Partnership Board: is responsible for implementing the town's affordable housing goals and investigating practices and methods to encourage the growth or supply of affordable housing. To achieve its mission, the committee provides educational forums on affordable housing, and establishes financial programs to facilitate affordable homeownership and home rental. An Assistant Vice President and Loan Officer of the Bank attend monthly meetings of the Partnership.

St. Joseph's Food Cellar: the agency provides food to low and moderate-income families. A bank Vice President is the auditor for this non-profit organization.

Other organizations that officers and employees lend their technical expertise to include civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the Bank during 2002, 2003 through year-to-date June 28, 2004. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area.

In an attempt to educate potential applicants about the home buying process, the Bank has participated in a variety of homebuyer seminars during the examination period including first time homebuyer seminars, construction loan seminars, and seminars about reverse mortgages.

Educational Seminars (continued)

The Bank's Vice President/ Senior Loan Officer/CRA Officer has played a significant role in providing his technical assistance to area organizations.

During 2003 and 2004, the Bank's Senior Loan Officer has attended meetings with the Brockton Redevelopment Authority regarding affordable housing creation. During this time frame, he has also attended meetings with the South Shore Development Corporation regarding the construction of affordable housing.

This officer has also provided technical assistance to the District Attorney's office regarding a grant application to obtain additional funding for a "Weed and Seed Program" to expand services to assist low- and moderate-income homebuyers and homeowners.

In March 2004, the Bank's CRA officer provided technical assistance to the Town of Easton regarding financing for low income elder homeowners.

In April 2004, the CRA officer provided technical assistance to the subcommittee of the Brockton Housing Partnership for the creation of a mortgage program targeted to the Urban Renaissance area of Brockton.

In May 2004, the Bank sponsored a counseling seminar in conjunction with Habitat for Humanity, Youth Build, and the Brockton Interfaith Community for lottery participants and buyers of Brockton's In-fill Workforce Housing Initiative.

During 2004, the Bank participated in several First Time Home Buyer Seminars throughout the assessment area. On March 31st, the Bank conducted a first time homebuyer seminar at a local restaurant in Mansfield. On April 6th, the Bank conducted a construction loan seminar at its operation center in North Easton and on May 4th, the Bank repeated this seminar in its Norton office. On May 12th, the Bank conducted a first time homebuyer seminar at the Easton Country Club in South Easton.

Conclusion - Service Test

As depicted above, the Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels in its assessment area, including those of low- and moderate-income. The Bank's management has provided a good level of community development services. Therefore, the Bank's service activities receive a rating of High Satisfactory.

APPENDIX A

SCOPE OF EXAMINATION

The Bank has one assessment area that was reviewed using the examination procedures for large banks.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used for HMDA-reportable and small business loans was January 1, 2002 to December 31, 2003.

Qualified investments were also reviewed. The Bank's investments exhibit a reasonable responsiveness to credit and community economic development needs.

In addition, the Bank's systems for delivering retail banking services and the provision of community development services were considered excellent.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the Bank's Public File, which contained no negative CRA-related comments.

APPENDIX B

METROPOLITAN STATISTICAL AREAS

I. BOSTON MSA

A. Bank Operations and Performance Context

The Boston MSA contains 2 of the Bank's full service offices. In 2002, according to the 1990 census data, this portion of the assessment area has a population of 80,665 made up of 29,196 family households. Of these, 25.3% are low-income, 17.7% moderate-income, 23.5% middle-income and 33.5% upper-income. The area contains a total of 15 census tracts. Five of these are moderate-income, nine are middle-income and one has no income designation. There are no low-income census tracts. The moderate-income census tracts are in Taunton. In 2003, according to the 2000 census data, this portion of the assessment area has a population of 96,426 made up of 35,902 family households. Of these, 25.0% are low-income, 18.1% moderate-income, 20.9% middle-income, and 36.0% upper-income. The area contains a total of 15 census tracts. Six these are moderate-income, eight are middle-income and one is upper-income. There are no low-income census tracts. The moderate-income census tracts are in Taunton.

B. Conclusions with Respect to Performance Tests

The portion of mortgage loans originated and purchased by the Bank in the Boston MSA portion of the assessment area represents 60.1% of the number and 61.8% of the dollar volume of all loans inside its assessment area.

Small business lending in this MSA represents 26.7% of the total number and 27.8% of the total dollar volume originated by the Bank inside its assessment area.

APPENDIX B (continued)

II. BROCKTON MSA

A. Bank Operations and Performance Context

The Brockton MSA portion of the assessment area contains 6 of the Bank's full service office including the main office. In 2002, according to 1990 census data, this portion of the assessment area has a population of 112,595 made up of 39,225 family households. Of these, 28.3% are low-income, 16.5% moderate-income, 20.5% middle-income, and 34.7% upper-income. The area contains a total of 24 census tracts. Two of these are low-income, seven are moderate-income, thirteen are middle-income and two are upper-income. The low- and moderate-income census tracts are in Brockton. In 2003, according to the 2000 census data, this portion of the assessment area has a population of 116,603 made up of 41,176 family households. Of these, 29.8% are low-income, 17.7% moderate-income, 19.9% middle-income and 32.6% upper-income. The area contains a total of 24 census tracts. One of these is low-income, eleven are moderate-income, ten are middle-income and two are upper-income. The low- and moderate-income census tracts are in Brockton.

B. Conclusions with Respect to Performance Tests

The portion of mortgage loans originated or purchased by the Bank in the Brockton MSA portion of the assessment area represents 39.9% of the number and 38.2% of the dollar volume of all loans inside the assessment area.

Small business lending in this MSA represents 73.3% of the total number, and 72.2% of the total dollar volume originated by the Bank inside its assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

NORTH EASTON SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **June 28, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.